

Message Text

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ORIGIN EB-08

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LABOR - FJAMES
STR - MSMITH
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-----002361 022146Z /66
O P 022134Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE IMMEDIATE
INFO USMISSION GENEVA PRIORITY

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GENEVA FOR PHELAN

E.O. 11652:N/A

TAGS: ETRD, YO

SUBJECT: TEXTILES/WOOL SUITS

REF: BELGRAD3 3298, BELGRADE 3280

1. WE FIND CONFUSING YUGOSLAV STATEMENT THAT THEY
PREVIOUSLY HAD QUOTA OF 3 PERCENT OF US IMPORTS. UNDER
PRIOR TEXTILE AGREEMENT WITH YUGOSLAVIA, WHICH COVERED
ONLY COTTON TEXTILES AND APPAREL, THE 1971 AGGREGATE
LIMIT WAS 23,360,000 SQUARE YARDS EQUIVALENT (SYE), OF
WHICH ONLY 9.6 MILLION SYE WAS SHIPPED. THE QUOTA WAS
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EQUIVALENT TO 1.5 PERCENT OF TOTAL IMPORTS AND ACTUAL
SHIPMENTS WERE EQUIVALENT TO 0.6 PERCENT. IN THE 12 MONTH
PERIOD ENDED IN FEBRUARY, YUGOSLAV IMPORTS OF WOOL SUITS
TOTALED 82,872 UNITS OR 5.6 PERCENT OF TOTAL IMPORTS
OF 1,475,028 WOOL SUITS.

2. WHEN WE TERMINATED THE AGREEMENT OF DECEMBER 30, 1970,

THE TWO COUNTRIES, IN THE NOTE OF FEBRUARY 14, 1976, AGREED THAT SHOULD EXPORTS FROM YUGOSLAVIA IN TEXTILES AND APPAREL OF COTTON, WOOL OR MAN-MADE FIBER CAUSE OR THREATEN TO CAUSE DISRUPTION THE TWO COUNTRIES WOULD CONSULT "TO ARRIVE AT AN EARLY SOLUTION ON MUTUALLY

SATISFACTORY TERMS". CONSULTATIONS ARE PRESENTLY SCHEDULED TO BEGIN MORNING OF MAY 4; YUGOSLAV TEAM WILL BE LED BY KULISIC, OF EMBASSY, WITH POPOVIC, OF NEW YORK OFFICE ALSO TAKING PART; THEY WILL HAVE THREE TECHNICAL ADVISORS. USG DELEGATION IS NOT YET NAMED BUT WILL INCLUDE REPRESENTATIVES OF STATE, STR, COMMERCE, TREASURY AND LABOR DEPTS.

3. AS EMBASSY IS AWARE, WOOL SUITS ARE AMONG THE MOST POLITICALLY SENSITIVE OF ALL PRODUCTS SUBJECT TO OUR TEXTILE RESTRAINT PROGRAM; ACCORDINGLY, WE HAVE BEEN MORE WILLING TO SEEK RESTRAINTS ON THIS PARTICULAR PRODUCT THAN ON MOST OTHERS. OUR SEEKING CONSULTATIONS ON MENS AND BOYS WOOL SUITS DOES NOT IMPLY ANY INTENTION TO SEEK RESTRAINTS ON OTHER TEXTILE OR APPAREL PRODUCTS FROM YUGOSLAVIA.

4. AT PRESENT, WE PLAN TO USE THESE CONSULTATIONS TO EXPLAIN WHY -- THE PRESENT RAPIDLY EXPANDING YUGOSLAV SHARE OF US MARKET CAUSES US PROBLEMS AND TO REQUEST LIMITED OFFICIAL USE

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YUGOSLAV COOPERATION IN RESOLVING THE PROBLEM. IT IS IN THE INTEREST OF BOTH COUNTRIES TO AGREE ON SOME MECHANISM TO RESTRAIN YUGOSLAVIA'S WOOL SUIT EXPORTS BEFORE THE POLITICAL PROBLEM BECOMES UNMANAGEABLE FOR US. WE WILL KEEP IN MIND CURRENT STATE OF OUR BILATERAL RELATIONSHIP AND WILL MAKE EVERY EFFORT TO ACCOMMODATE YUGOSLAV NEEDS, BOTH PSYCHOLOGICAL AND ECONOMIC; RECENT DISCUSSIONS WITH KULISIC INDICATE HE RECOGNIZES THE NEED FOR YUGOSLAVIA TO ACCOMMODATE OUR VALID REQUIREMENTS AS WELL. VANCE

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